

STATE OF CALIFORNIA

DEPARTMENT OF INSURANCE

45 Fremont Street, 24th Floor

San Francisco, California 94105

INITIAL STATEMENT OF REASONS

Date: February 11, 2004 RH03028987

REGULATIONS CONCERNING DISABILITY INSURANCE ASSESSMENT PURSUANT TO INSURANCE CODE SECTION 1872.85

INTRODUCTION

Pursuant to Insurance Code Section 1872.85, Insurance Commissioner John Garamendi proposes to add to California Code of Regulations, Title 10, Chapter 5, Subchapter 9 the new article 8, entitled "Disability Insurance Assessment". Insurance Code Section 1872.85 permits the Commissioner to collect an annual fee of up to ten cents for each insured under an individual or group disability insurance policy. The purpose of the assessment is to fund increased investigation and prosecution of fraudulent claims made against these policies. The regulation also sets the date for the determination of the number of insureds affected by the assessment and the date for payment of the assessment.

SPECIFIC PURPOSE AND REASONABLE NECESSITY OF REGULATION

The proposed regulation will implement the collection of the assessment that is authorized by Insurance Code Section 1872.85. The Commissioner believes that the proposed regulations are necessary to carry out the express intent of the Legislature, as articulated in the Statute. The proposed regulations are required to set the amount of the annual assessment per insured person under a disability policy and to set forth the procedure for determining the number of insured persons that are covered by an individual or group disability policy.

IDENTIFICATION OF STUDIES

There are no specific studies relied upon in the adoption of this article.

SPECIFIC TECHNOLOGIES OR EQUIPMENT

Adoption of these regulations would not mandate the use of specific technologies or equipment.

ALTERNATIVES

The Commissioner has determined that no reasonable alternative exists to carry out the purpose for which the regulations are proposed.

ECONOMIC IMPACT ON SMALL BUSINESS

The Commissioner has identified no reasonable alternatives to the presently proposed regulations, nor have any such alternatives otherwise been identified and brought to the attention of the Department, that would lessen any impact on small business. It is anticipated that the regulation would not adversely affect small business.

PRENOTICE DISCUSSIONS

The Commissioner has conducted prenotice public discussions on the proposed regulation in November 2003. For this reason, it is unlikely that the interested parties will find the proposed regulations too complex or multifarious to be reviewed easily during the comment period. Additionally, because the proposed regulations are, in large part, substantially identical to Insurance Code Section 1872.85, it is not anticipated that the adoption of the proposed regulations will be particularly controversial